



Fact Sheet

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Foreign Agricultural Service
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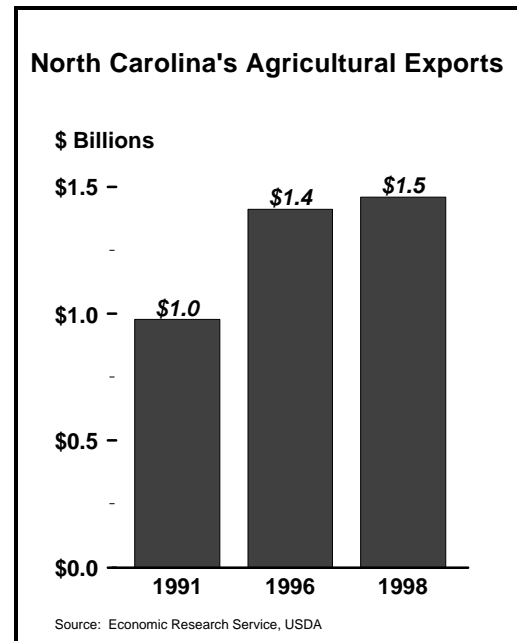
Permanent Normal Trade Relations with China **What's at Stake for North Carolina?**

North Carolina is an important producer of agricultural and forest products and a large exporter. Fishery products are also important. In 1998, the state's total cash receipts from farming reached \$7.2 billion. Forest product shipments totaled \$3.9 billion in 1996, and commercial fish landings were \$105 million in 1998. As for exports, North Carolina ranked 11th among all 50 states, with the value of agricultural products leaving the state estimated at \$1.5 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Trade Benefits

The following key products are important to North Carolina, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

- # **Tobacco**—North Carolina is the nation's top tobacco growing state, with unmanufactured tobacco exports worldwide estimated at \$573 million in 1998. China accounts for one-third of the world's tobacco production. Its accession to the WTO would allow for freer tobacco trade, providing opportunities for U.S. tobacco exporters. China has committed to cut import tariffs on cigarettes from 65 percent to 25 percent and cut leaf tobacco tariffs from 40 percent to 10 percent. If China accedes to the WTO, it would be subject to specific WTO rules prohibiting unjustified phytosanitary measures and disputes could be addressed under the WTO dispute settlement process.
- # **Poultry Meat**—As one of the nation's top 10 poultry producers, North Carolina's poultry and product exports worldwide were estimated at \$303 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.
- # **Pork**—With the nation's second largest hog inventory, North Carolina's live animal and red meat exports worldwide were estimated at \$149 million in 1998. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will cut its tariff on frozen pork cuts and offal from 20



percent to 12 percent by 2004. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all pork from the United States that is certified wholesome by USDA.

- # **Cotton**—North Carolina's cotton exports worldwide were estimated at \$126 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.
- # **Solid Wood Products**—The lumber industry is also important to North Carolina. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.